

Cabinet Supplementary Agenda



4. **Croydon Renewal Improvement Plan update** (Pages 3 - 32)
Cabinet Member: Leader of the Council, Councillor Hamida Ali
Officer: Interim Chief Executive, Katherine Kerswell
Key decision: no

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Agenda Item 4

REPORT TO:	CABINET 14 December 2020
SUBJECT:	The Croydon Renewal Improvement Plan - Update
LEAD OFFICER:	Katherine Kerswell, Interim Chief Executive
CABINET MEMBER:	Councillor Hamida Ali, Leader of the Council
WARDS:	All

SUMMARY OF REPORT:

This report provides an update on the development of the Council's submission to MHCLG in support of a capitalisation request and the Croydon Renewal Improvement Plan. These will set out how the Council is responding to the various reviews and recommendations that have highlighted areas for improvements.

The Improvement Plan builds on the new priorities and ways of working adopted by Council, and brings together over 400 recommendations that have been received with the support of external expert advisors, including the MHCLG Rapid Review. The report also provides summary of the Council's approach to programme and project management and performance management to strengthen our systems in these key areas.

The Interim Chief Executive, in accordance with the delegation provided by Council, will submit these to MHCLG for consideration. This is expected to take place on 15 December 2020.

FINANCIAL IMPACT:

There is no direct financial impact arising from this report. The submission to MHCLG is needed for the Government to formally consider the request for exceptional financial support for the council in order to resolve the second Section 114 notice that has been issued on 2 December 2020. Without this support the council will be unable to deliver a balanced budget this financial year and over the period of the Medium Term Financial Strategy. Delivery of the Improvement Plan will be essential to the Medium Term Financial Strategy and ensuring the Council moves to a sustainable financial position.

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out below:

RECOMMENDATIONS:

- i. Note the updates in relation to the Croydon Renewal Improvement Plan; and
- ii. Note that the Chief Executive, in accordance with the delegation approved by Council on 28 November, will submit to MHCLG the

proposal for a capitalisation direction on 15 December and provide an update to the Cabinet meeting as this progresses.

1. Executive Summary

- 1.1 At the previous Cabinet and Council meetings it was agreed that the Council develop a submission to MHCLG in support of a capitalisation request. This would include the Croydon Renewal Improvement Plan, setting out how the Council would respond to the various reviews and recommendations that have highlighted substantial need for improvements.
- 1.2 Chief officers, working with the Leader and Cabinet, have been developing the submission and Improvement Plan. This report provides a summary of progress and outline of the key elements that will form our submission and Improvement Plan.
- 1.3 The Improvement Plan builds on the new priorities and ways of working adopted by Council, and brings together over 400 recommendations that have been received with the support of external expert advisors. This included the MHCLG Rapid Review. Alongside the Improvement Plan, the Council is adopting a new Programme and Project Management framework and performance management to strengthen our systems for monitoring and reporting performance in order to provide transparency and assurance on delivery of these critical activities.
- 1.4 The MHCLG submission will outline the current financial position and three year forecasts, together with the recovery plan. This incorporates the savings proposals that are currently the subject of public consultation.
- 1.5 The Interim Chief Executive, in accordance with the delegation provided by Council, will submit these to MHCLG for consideration. This is expected to take place on 15 December 2020.

2. Background

- 2.1 As reported to recent Cabinet and Council meetings, the Council has experienced a challenging financial period, culminating in a Section 114 notice being issued on 11 November 2020 and again on 2 December 2020. Under the Section 114 notice the Council has implemented a range of spending restrictions.
- 2.2 Whilst the challenging financial period followed reductions in annual funding from national government due to its austerity programme, it is clear that the situation was made more difficult as a result of decisions and actions taken by the council.

- 2.3 In September 2020 the Cabinet and then Full Council, resolved that despite substantial in year savings being identified, additional financial support was required. The Interim Chief Executive was requested to make a formal approach to MHCLG to seek a capitalisation direction to enable the 2020/21 budget to be balanced as required by law. Discussions have continued with MHCLG.
- 2.4 The Croydon Renewal Plan has been developed to deliver fundamental transformation of the Council's systems of internal control, governance and management were required to underpin any financial recovery.
- 2.5 The Croydon Renewal Plan will form a key element of the submission to MHCLG and will need to provide assurance against a number of key issues:
- Implementing the actions in response to the External Auditor's Report in the Public Interest (RIPI), that set out the systemic issues that led to the Council's current situation.
 - Strategic review of the Council's companies and other entities and the governance and oversight of these arrangements
 - Structural deficits in the children's social care and adult social care budgets, which have developed over time and now present a substantial overspend pressure against the Council's approved budget
 - Improving the Council's general fund and earmarked reserves
 - Improving the Council's governance arrangements, including financial reporting, risk management, programme and project management
 - Implementing the recommendations of the independent finance review, which was previously reported to the General Purposes and Audit Committee in October 2020
 - Any recommendations from the MHCLG non- statutory Rapid Review team who recently undertook a comprehensive assessment of the Council's position, with a report submitted to MHCLG at the end of November 2020.
 - Responding to the very clear feedback from staff through the recent staff survey, focus groups and webinars.
- 2.6 Work has already commenced on the required improvements. With new political and managerial leadership in place, the council has developed a wide-ranging improvement plan. A number of improvements have already been implemented. There is monthly budget monitoring and reporting. A redesigned budget-setting process incorporating challenge, benchmarking, and external independent expert advice has been used to identify and validate savings. Social care panels review placements and packages to ensure their suitability and affordability.
- 2.7 The Council has utilised a range of independent external support to inform and develop our improvement actions. This has included financial expertise, support from the Local Government Association and experienced subject matter experts. The Council has welcomed this external support and challenge and recognises the benefit it provides in driving improvement. Given the scale and breadth of improvement required, the Council formally resolved on 30

November 2020 to consult on terms of reference and membership for an externally and independently chaired Croydon Renewal Improvement Board. This is due to be considered by Cabinet and Council in January for final approval. Ongoing discussions with MHCLG will include how any such Board links with their requirements.

3. Croydon Renewal Improvement Plan

3.1 The pandemic and financial context have changed the focus and key priorities for the Council, The new Leader and her team worked quickly to identify a framework of new “Priorities and Ways of Working” which were adopted by Council on 30 November 2020. These replaced the Corporate Plan 2018-2022 and will shape the Council’s approach to its improvement work, service delivery and to help prioritise scarce resources.

3.2 The new priorities are:

- We will live within our means, balance the books and provide value for money for our residents.
- We will focus on tackling ingrained inequality and poverty in the borough. We will follow the evidence to tackle the underlying causes of inequality and hardship, like structural racism, environmental injustice and economic injustice.
- We will focus on providing the best quality core service we can afford. First and foremost, providing social care services that keep our most vulnerable residents safe and healthy. And to keep our streets clean and safe. To ensure we get full benefit from every pound we spend, other services in these areas will only be provided where they can be shown to have a direct benefit in keeping people safe and reducing demand.

3.3 New ways of working were also adopted as follows:

- We will practise sound financial management, being honest about what we’ve spent and what we can afford.
- We will focus on what we, uniquely, can do as the local authority as the democratically elected leaders of our borough. This means we will focus on our core services, and a small number of evidence-based outcomes that deliver our priorities. But we will also continue to use our democratic mandate to convene our partners around a common purpose and to make a clear case for a better deal for Croydon.
- We will aim to become a much more transparent, open and honest council. We will involve residents in our decision making. But we will also need to be clear with residents about what we can do, and what we can’t. When we have to say no, we will do so with compassion and take the time to explain our decisions.

3.4 These form the context for our Improvement Plan. The high level improvement plan, previously approved at Cabinet, has been updated based on feedback from MHCLG. A revised summary is set out in appendix 1.

3.5 The Croydon Renewal Improvement Plan will give effect to nearly 400 recommendations arising from the independent expert-led reviews of the council's governance, financial management and subsidiary companies. A key component is the financial recovery plan, with proposals for savings and income generation over the next three years. The Improvement Plan will incorporate further actions arising from reviews that have not yet reported.

4. Financial Recovery Plan

4.1 There is a reported forecast overspend of £30m this financial year excluding Covid19 expenditure funded by grant. In addition, the council must provide for additional emerging risks of £40m, of which £31m relates to Brick by Brick, the council's arm's length development company. In total, the council is seeking a direction to capitalise £70m of revenue expenditure in the current year so that it can contain spending within available resources and build sufficient resilience to support its improvement journey.

4.2 The council's medium term financial strategy shows that after identifying £81.5m of spending reductions and efficiencies savings to be delivered over three years, there remains an ongoing deficit of £78.7m.

4.3 The council has sought further opportunities to close this gap and has identified that by reducing expenditure on social care to the London average per head of population, the council will create an opportunity to realise further reduction in spending. Recognition of the very specific costs arising from the role Croydon Council plays as one of the national port of entry authorities for UASC is needed from the Home Office, DfE, MHCLG and others. This is essential in resolving issues concerning its expenditure on unaccompanied asylum seeking children, where it is a significant outlier on both volumes and cost. This is because Croydon is a national point of entry and we have to manage the volumes of these children entering the capital on behalf of the rest of the country. Our submission will emphasise the importance of agreeing financial support for this area of work separate to our capitalisation requirements.

4.4 Further council-wide measures to reduce expenditure have been identified including a review of assets enabling significant disposals, management restructuring, digitisation and service redesign to enable more people to self-serve and to support the improvement and efficiency of internal business systems. These measures are expected to generate the necessary savings to close the remainder of the gap.

4.5 The initial review of assets has identified operational assets valued at £47.9m that will be vacated for disposal over the MTFs period, subject to securing best value consideration in disposal taking into account the very changed market conditions following Covid. In addition the council is currently exploring disposal options for its investment properties.

4.6 In order to provide the necessary time for these measures to be deployed and take effect, a direction allowing the council to capitalise revenue expenditure in the period 2021/22 to 2023/24 is sought up to £80m, making a total of up to £150m of additional borrowing overall including the current year, 2020/21.

4.7 The forecast capitalisation requirement is summarised in the table below.

Table: Forecast Capitalisation Requirement							
	2020/21 (£000)	Incremental			Cumulative		
		2021/22 (£000)	2022/23 (£000)	2023/24 (£000)	2021/22 (£000)	2022/23 (£000)	2023/24 (£000)
Forecast Budget Gap		108,354	26,852	25,088	108,354	135,206	160,294
Service reductions and efficiencies		(43,329)	(21,635)	(16,567)	(43,329)	(64,964)	(81,531)
MTFS Budget Gap	0	65,025	5,217	8,521	65,025	70,242	78,763
In year spending pressures	58,111						
In year savings	(27,900)						
Month 6 Forecast	30,211						
Additional in year savings	(500)						
Emerging risks:							
1. Brick by Brick	31,000						
2. Other	9,000						
Budget Gap	69,711	65,025	5,217	8,521	65,025	70,242	78,763
MTFS Financial Recovery Plan		(15,025)	(30,217)	(28,521)	(15,025)	(45,242)	(73,763)
Total	69,711	50,000	(25,000)	(20,000)	50,000	25,000	5,000
Capitalisation requirement	(70,000)	(50,000)	(25,000)	(5,000)	(50,000)	(25,000)	(5,000)

4.8 The intention is to front-load the service reductions and efficiency savings as much as possible to reduce the amount of borrowing required. This is in addition to fulfilling the council's responsibilities in respect of staff and public consultation and mitigation of any risk to Covid delivery and the vulnerable. This will ensure that the programme is delivered on a realistic but challenging timetable.

4.9 The changes required to place the council on a financially sustainable footing inevitably mean a reduction in the range of services and facilities for the people of Croydon, with a review of libraries and the loss of some leisure facilities. They also entail possible further job losses for council staff. In several areas services will be reduced to the statutory minimum. The council's strong partnerships with other statutory agencies, businesses and the voluntary and community sectors, evidenced so strongly during the coronavirus pandemic, will be essential for enabling the council to fulfil its responsibilities within the reduced financial envelope and mitigate the impact on vulnerable residents as much as possible.

5. Council wide improvement

5.1 The Council has assessed the full range of its services against its statutory duties. In most areas, spending will be reduced to the levels required for the Council to fulfil its statutory functions. But Croydon Renewal Improvement Plan is about more than spending reductions. There are measures concerning efficiency, rationalisation of assets, service redesign and digitisation, culture change, governance and management of risk.

5.2 A restructure of the Council's management arrangements is currently proposed for consultation, which will address the capacity and capability needed to deliver Croydon's Renewal Plan and ensure that high quality service delivery is maintained. For this reason it will ensure that the necessary skills and resources required are available for the improvement work, and appropriate management and control of finances and risk management. The restructure is subject to consultation of staff and members, the outcome being taken to Cabinet and Council for final decision and then formal consultation and implementation in accordance with JNC and NJC terms and conditions of service.

5.3 Croydon Renewal Improvement Plan includes actions to effect a change in culture and governance behaviour, as well as changes to processes and systems. The scope includes decision-making, transparency, performance management, accountability and establishing value for money across the council. There are sections concerning behaving with integrity and demonstrating a strong commitment to ethical values; respecting the rule of law; and openness, transparency and engagement. As part of the overall improvement plan, the council's senior leadership recognises that it needs to lead this transformation by ensuring the following:

- Clearly articulate and make transparent the behaviours expected from all staff through to the most senior leadership levels
- Re-induct all staff on the expected behaviours and a clear, transparent performance framework
- Hold all staff accountable for the expected behaviours and results (with consequences for inappropriate behaviours).

- 5.4 The Council will reconfigure its customer facing services with an emphasis on reducing face to face contact and increasing digital access. Croydon is in the process of transforming and digitising its operations, to manage demand better at the front door and operate more efficiently in the back office. Croydon Digital Service (CDS) adopted best practice from industry and the national Government Digital Service in 2018. It has since developed the strategy, capability, standards, processes and technology to transform the Council effectively, while achieving savings. It is already:
- applying user-centred design methodology to meet users' needs fully online
 - ensuring desired outcomes are achieved by continuous testing and releasing project funds in line with agile project phases (discovery, alpha, beta, live)
 - adopting a platform approach: working towards an architecture of "small parts loosely joined", reusing common components across services to join up the user experience, avoid duplicative costs, and reduce the cost of future change, ending reliance on unaffordable software programmers
 - developing a new user-centred website, modelled on GOV.UK, completing in June 2021
 - enabling the whole workforce to use MS Teams, reducing face to face contact, and speeding up decision making and collaboration.
- 5.5 The council's digital team continues to identify income opportunities; proposals include increased income from renting hardware capacity to another local authority, with a contract already in place generating income. Contract procurement will deliver significant savings in 2021/22, based on core IT contracts that expire in May 2022 covering data centre and cloud hosting, end user technical support, IT infrastructure, hosting and networks, mobile phones, print and telephony.
- 5.6 A pipeline of digitisation projects focuses on fixing the basics and driving savings. These will be assessed as invest to save, with an assessment of the return on investment. They include improving and automating contact between the council and residents; moving to remote residents appointments by default (with recognised exceptions); and rationalising and consolidating a large number of websites and electronic forms onto two corporate platforms, saving money on the technical and administrative costs. An end to end process review of Access Croydon and the Contact Centre will consider embedding 'Digital by Default' and making best use of Access Croydon space that becomes available.
- 5.7 The review of capital programme covers all future and current capital projects as well as the asset investment strategy, to reduce and delay projects in order to ensure annual borrowing costs are kept at an affordable level. Capital expenditure has been reduced by £155m (45%) in-year against a programme totalling £343m. This will reduce capital borrowing payments by £1.7m in 2020/21. No further investment will be made in the £200m investment fund.

Opportunities will be taken to manage the borrowing through treasury management arrangements and replace expensive loans as they come up for renewal. The council's policy for providing for debt repayment (MRP Policy) will be reviewed to minimise risk to the council. This will apply to loans to Brick by Brick, which were originally expected to be paid off by the company from sales of the homes it developed.

6. Delivery and Monitoring

- 6.1 To ensure delivery of this comprehensive improvement programme, the council is strengthening systems for monitoring and reporting performance and expenditure, and applying a programme delivery approach to implement the change required.
- 6.2 Our approach has built on best practice advice received from the NHS and local government as well as lessons learned reports from MHCLG and the HMG Infrastructure and Projects Authority. Their 2019-20 Annual report emphasised the principles for project success to improve the delivery of major programmes, which we have used to inform our Improvement Plan and programme management framework. Critically the majority of these components are in the planning / set up phase. This is the phase that the Council is in with the majority of the Improvement Plan.
- 6.3 The Infrastructure and Projects Authority also identified the need for a renewed energy into equipping staff through training and other support. This will be key and is an approach that the Council is also taking, ensuring that we provide training and guidance on our approach, deploy our project management resources effectively and in accordance with the organisation priorities.
- 6.4 Similarly, the former Chief Executive of the Major Projects Authority and Head of the Civil Service identified 4 key areas to meet the challenges of successful project delivery:
- Strong Leadership
 - Leaders empowered to get the job done, with clear accountability and responsibility for delivery
 - Detailed and substantial planning and analysis of the options against the objectives and detailed understanding of the resource requirements, to ensure successful set up
 - Culture of openness and realism, giving confidence to challenge
- 6.5 Our Programme Framework addresses each of these challenges.
- 6.6 A central Programme Management Office has been set up to ensure consistent, effective management of the various improvement and savings programmes.
- 6.7 This approach will provide timely challenge should milestones be delayed, working with the relevant project managers and senior accountable officers and

Cabinet members to keep projects on track. The PMO will work closely with finance teams who will monitor the level of savings realised, and between them the PMO and finance teams will report on the successes, issues, and risks of the savings programme to all relevant stakeholders.

- 6.8 Whilst the approach has been outlined, and captured the wide range of projects and actions, the planning continues and it is recognised that further response will be needed as the planning / set up phase continues.
- 6.9 The council's performance in relation to KPIs has been reviewed to ensure a culture of honesty and transparency, with development of a new suite of reports under way to provide clarity and accountability for council staff, Members and residents. Regular quarterly performance reporting is being reinstated. Changing the council's culture around performance management is a process that touches every part of the organisation. The leadership team is therefore closely involved in reinforcing the key cultural behaviours required. As is strengthening the reporting to the leadership team regarding any areas of concern around performance, risk and finance.
- 6.10 Work has commenced to develop a robust performance framework for each action in the Croydon Renewal Improvement Plan to ensure delivery and enable challenge where necessary. Work is underway to align the council's performance with the associated risks and expenditure and determine how these will be reported across the organisation. A cycle of planning, monitoring and reviewing KPIs has been established and all existing performance reports across the Children, Family & Education and Health Wellbeing & Adults departments are being reviewed to ensure the right things are being reported at the right time.
- 6.11 A 'stress' report has been designed to scan for any changes over the next three years such as in demand, population demographics and health, using Acorn, a geodemographic segmentation tool detailing the UK's population at household level, to enable the council to anticipate them. Benchmarking is also being undertaken against other London boroughs and the Council's statistical neighbours.

7. CONSULTATION

- 7.1 The Improvement Board membership and terms of reference will be consulted on and brought back to January Cabinet and January Council for final approval.
- 7.2 The Council is in regular discussion with MHCLG regarding the Improvement Plan, and in particular the financial recovery of the Council. This includes MHCLG's expectations for independent external advisors. As part of the consultation on the Improvement Board, the Council will confirm how any such Board will link with MHCLG requirements.
- 7.3 The interim Chief Executive is currently consulting all staff and elected members on a restructure of the Council's management arrangements. The

outcome of that consultation will be brought back to Cabinet and Council for final decision in February and March

8. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

- 8.1 It is essential that the Council takes steps to address the necessary improvements required to enable Croydon Council to be a financially sustainable council delivering value for money efficient and effective services.

9. OPTIONS CONSIDERED AND REJECTED

- 9.1 Should the Council have chosen not to act, it is very likely that MHCLG could have used their powers for intervention to address the situation. The proposals in this report aim to keep Croydon in local democratic control while working closely with national government, the LGA and others to make the necessary changes to become a financially sustainable and well governed council.

10. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 10.1 There are no direct financial implications arising from this report. The approval of a capitalisation direction for this financial year and over the period of the MTFS is essential to ensuring the council has the necessary resources and time to become financially sustainable by March 2024. Without this the Council will be unable to deliver a balanced budget. However, within the Improvement Plan there are a wide range of projects and actions that will be essential to ensuring the Council moves to a sustainable, balanced budget.
- 10.2 The delivery of these projects and actions, and the resulting savings is essential. It is therefore critical that effective monitoring and reporting is in place. This is an area for improvement in itself and the Improvement Plan incorporates a range of recommendations in relation to this.
- 10.3 A key role for the new Croydon Renewal Programme Steering Group will be to ensure delivery, and to prioritise and resource delivery accordingly.

Approved by: Lisa Taylor, Director of Finance, Investment and Risk (S151 Officer)

11. LEGAL CONSIDERATIONS

- 11.1 The Head of Litigation and Corporate Law comments on behalf of the Interim Director of Law and Governance that the Local Government Finance Act 1992 section 31A places the Council under a statutory responsibility to set a balanced budget i.e. the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year must not exceed resources (including sums borrowed) available to it to meet that expenditure.

11.2 Previous legal advice was provided in the November Cabinet report in relation to the key issues the Council needs to consider when delivering a transformation programme.

Approved by: Sandra Herbert Head of Litigation and Corporate Law for and on behalf of the interim Director of Law and Governance and Deputy Monitoring Officer.

12. HUMAN RESOURCES IMPACT

12.1 Our workforce is fundamental to the success of the improvement plan, and there is a commitment throughout the plan to involve staff in its development and delivery.

12.2 As previously reported, and recognised within the Improvement Plan, services need to be reorganised to meet the financial challenges. There are proposals that impact on the workforce. Consultation has commenced on these proposals in accordance with the council's HR policies.

12.3 The council is consulting with its recognised trade unions in accordance with our collective bargaining arrangements on the proposals and cumulative impact across the workforce. Regular dialogue and engagement will continue throughout the course of the improvement plan.

Approved by: Sue Moorman, Director of Human Resources

13. EQUALITIES IMPACT

13.1 In April 2011 the Equality Act (2010) introduced the public sector duty which extends the protected characteristics covered by the public sector equality duty to include age, sexual orientation, pregnancy and maternity, and religion or belief.

13.2 Section 149 Equality Act 2010 requires public bodies to have due regard to the need to:

- eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act;
- advance equality of opportunity between people who share a protected characteristic and people who do not share it; and
- foster good relations between people who share a protected characteristic and people who do not share it.

13.3 Having due regard means consciously thinking about the three aims of the Equality Duty as part of the process of decision-making. This means that decision makers must be able to evidence that they have taken into account any impact of the proposals under consideration on people who share the protected characteristics before decisions are taken. Equalities impact

assessments will be a key part of our governance framework for the Improvement Board, with direct input from the Council's Equality & inclusion Manager.

Approved by: Gavin Handford, Director of Policy & Partnership

14. DATA PROTECTION IMPLICATIONS

14.1 WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?

NO

The Director of Policy & Partnership comments that there are no data protection implications arising from the contents of this report

Approved by: Gavin Handford, Director of Policy & Partnership

CONTACT OFFICER:	Katherine Kerswell, Interim Chief Executive
APPENDICES TO THIS REPORT:	Appendix A: Croydon Renewal Improvement Plan - summary
BACKGROUND DOCUMENTS:	None

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Appendix A: THE CROYDON RENEWAL IMPROVEMENT PLAN (SUMMARY)

Introduction

Croydon Council faces serious governance, financial and operational challenges which have been exacerbated by the COVID-19 pandemic. The scale of the challenge the local authority faces is unprecedented and will require one of the most significant change programmes in local government.

Cabinet and Council agreed in September 2020 to the development of the Croydon Renewal Plan which incorporates a financial recovery plan to develop a sustainable budget over the medium term, the submission to MHCLG to secure the necessary capitalisation direction as part of that financial recovery, a corporate Improvement Plan to deliver the required changes to ensure the financial investment and rebalancing of the budget is sustainable and an Improvement Board that will oversee and ensure delivery and improvement actually takes place.

MHCLG require assurance that:

- we have faced up to our situation and understand its depth and impact,
- we have acknowledged the errors made in arriving at this position
- we are clear about what we need to do
- we are continuing to challenge our position to establish whether there any addition financial problems
- We are developing a detailed improvement plan in a timely fashion that incorporates the Report in the Public Interest Action Plan and recommendations from other reviews such as the Strategic Review of council companies and their Rapid Review.

And that all together the Croydon Renewal Plan will provide MHCLG assurance for their decision in regard to the capitalisation direction and the improvement board will offer further assurance in our continued commitment to deliver the required change.

Part of the assurance to Government is the MHCLG non-statutory Rapid Review which took place during November 2020. They were tasked to look at our governance, culture and leadership, financial sustainability, services and our capacity and capability to improve.

In summary this is an opportunity to consider a re-set moment for the Council where it can completely transform the priorities of the Council, the vision and values and the operational model that it has in place to deliver services.

Approach to Improvement

From the outset we will demonstrate to residents and staff that the Council is taking an approach that is fundamentally different from the past. The new administration has committed to greater transparency and openness in the Council's operation and this is an integral theme underpinning all aspects of the Council's business.

Measuring and monitoring delivery and actual change is central to provide assurance on the implementation of the Improvement Plan. The interim Chief Executive and the management team are working with staff and Members to co-create criteria to measure and evidence progress in a meaningful way.

Reaching out to staff and actively seeking their involvement in co-designing and co-delivery of much of the change needed will be another hallmark of the new way of working. Already staff have put forward many ideas such as improving contract management, clearer priorities, more effective use of digital technology in the recent staff survey and focus groups.

A very strong message from the Council's staff is the need to change the culture from one which is seen by many as fearful with staff who feel unable to speak up. Designing a new operating environment to tackle this culture without the full involvement of staff would be entirely inappropriate and highly likely to fail. There is also feedback from staff of unequal treatment, of nepotism, of cronyism, of racism, of discrimination and of unconscious bias all taking effect in their working lives. There are specific improvement actions, therefore, to tackle this explicitly and openly with staff fully involved.

Our Priorities and Ways of Working

The new administration, in place with effect from October 2020, has already set out its priorities for the Council (see Appendix D). In high level terms these are:-

Priorities

- We will live within our means, balance the books and provide value for money for our residents.
- We will focus on tackling ingrained inequality and poverty in the borough. We will follow the evidence to tackle the underlying causes of inequality and hardship, like structural racism, environmental injustice and economic injustice.
- We will focus on providing the best quality core service we can afford. First and foremost, providing social care services that keep our most vulnerable residents safe and healthy. And to keep our streets clean and safe.
- To ensure we get full benefit from every pound we spend, other services in these areas will only be provided where they can be shown to have a direct benefit in keeping people safe and reducing demand.

In addition the administration has also set out new ways of working which are:

New ways of working

- We will practise sound financial management, being honest about what we've spent and what we can afford.
- We will focus on what we, uniquely, can do as the local authority as the democratically elected leaders of our borough. This means we will focus on our core services, and a small number of evidence-based outcomes that deliver our priorities. But we will also continue to use our democratic mandate to convene our partners around a common purpose and to make a clear case for a better deal for Croydon.
- We will aim to become a much more transparent, open and honest council.
- We will involve residents in our decision making. But we will also need to be clear with residents about what we can do, and what we can't. When we have to say no, we will do so with compassion and take the time to explain our decisions.

These are set out in the appendix, showing how these new priorities and ways of working inform our action plans, projects and programmes within our overall improvement plan.

Diagnosing the size and scale of the challenge for the Council

As has already been stated the challenge the Council faces is to deliver one of the most significant change programmes in local government. A number of reviews are already underway or have recently concluded and their findings and recommendations incorporated into the Croydon Renewal Improvement Plan. It is important to note that the Council will continue to seek external challenge and support, undertake reviews and identify improvements. These will be incorporated into the Improvement Plan as part of regular reviews and progress reporting.

1. Finance Review Panel and Independent Finance Review

This is an independently chaired panel that has external stakeholders from other local authorities, Croydon NHS Trust and the Council's external auditor Grant Thornton. It was set up to oversee, challenge and endorse the Council's approach to the 2020/21 forecast overspend and residual financial challenges and external audit concerns. Latterly the panel has informed the approach to developing a revised Medium Term Financial Strategy and the budget setting process. The Finance Review Panel commissioned an independent review of the Council's financial governance, strategy, planning, leadership, decision-making, and management of group company structures. This resulted in a report to General

Purposes and Audit Committee in October 2020 with 75 recommendations all of which the Council accepted and have been incorporated in the Croydon Renewal Improvement Plan

2. Strategic Review

In September 2020, the Council commissioned PWC to undertake a strategic review of its subsidiary companies including structures, operations, financial position and any additional liabilities. The recommendations, reported to Cabinet in November 2020, have been incorporated into the Improvement Plan.

3. Report in the Public Interest

In October the Council's external auditor issue a Report in the Public Interest and in response to this the Council has agreed an Action Plan that has 83 recommendations. These recommendations and actions have been incorporated into the Improvement Plan.

4. Staff Survey

During October the Interim Chief Executive initiated a new staff survey and series of focus groups to begin listening to staff and their ideas for what needed to change. In addition weekly webinars with the Leader of the Council and Interim Chief Executive have been held to hear how staff are feeling and to answer the many questions that colleagues have. The output from all of the activity to date and the ongoing dialogue that will take place will form an essential focus of the Improvement Plan.

5. MHCLG Rapid Review

The Council welcomed the Rapid Review team which was commissioned by MHCLG and it is anticipated that their report will make a number of recommendations. These recommendations will be incorporated into the Improvement Plan.

6. Governance Review and Centre for Governance & Scrutiny Review

Both of these pieces of work will assist the Council to reshape its approach to governance and improve the way it scrutinises all plans and service delivery including the Croydon Renewal Improvement Plan.

7. The Financial Recovery Plan

This plan will deliver the new medium term financial strategy and the use of the MHCLG capitalisation monies to enable the council to manage the current significant shortfall in this year's budget and address the long-term structural deficit within children's and adult's services. The mechanisms for delivering the strategy have been incorporated in to the Improvement Plan.

The Council has used the CIPFA/Solace standards and the McKinsey 7s Framework to model best practice in the Improvement Plan. In addition it will continue to work with and learn from partner organisations such as the Local Government Association, Centre for Governance & Scrutiny and other Local Authorities who can provide valuable support and insights.

Outcomes

The Croydon Renewal Plan has been structured around the new priorities agreed at Council (as set out above), with 3 key improvement outcomes:

- Financial recovery
- Governance improvement
- Operational improvement

These set out how the Council will stabilise its finances, make service improvements, operational improvements and deliver transformational approaches to modernise the way the Council works.

Under each of these outcomes are specific action plans, which have been informed by the reviews about that diagnosed the Council's challenges and areas for improvement. The Improvement Plan is a significant programme of work that is likely to take up to 5 years.

The Improvement Plan has also identified key areas of focus across all improvements. These are set out in the table below and are essential to changing the overall culture of the Council to one that is evidence led, manages resources well, and is open and transparent with stakeholders.

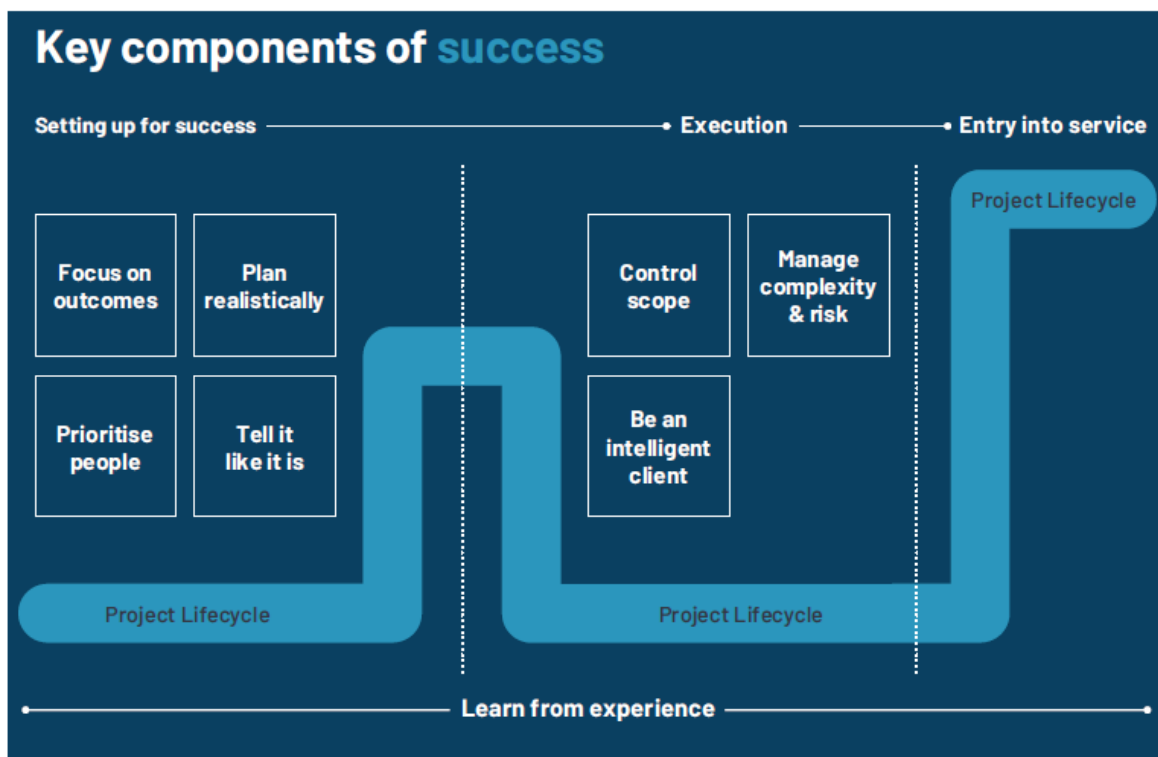
Leadership	<ul style="list-style-type: none"> • Effective Governance • Political & Managerial Leadership improvement • Openness & transparency • Equality & Diversity 	Financial Control	<ul style="list-style-type: none"> • Deliver MTFS-financial sustainability by 24/24 • Deliver in-year • External companies deliver return on investment
Staff Engagement & Involvement	<ul style="list-style-type: none"> • A council free from fear built on trust & openness that reflects the diverse borough that we serve • Equality and diversity, tackling unconscious bias & taking positive action 	Service Transformation	<ul style="list-style-type: none"> • Adult's Social Care • Children's Social Care • Identify & modernise core services
Residents & Partners	<ul style="list-style-type: none"> • A new approach to engagement, openness and transparency • Collaborative working 	Internal Control systems	<ul style="list-style-type: none"> • Risk Management & Assurance Framework • Corporate Performance Framework (service delivery & staff appraisal)

Delivering the Plan

The Council has fully acknowledged that it does not have a strong track record of delivery of plans and is making a positive step to address this. We are strengthening systems for monitoring and reporting performance and expenditure, and applying a programme delivery approach to implement the change required.

Delivery of the Improvement Plan will be coordinated by a new Renewing Croydon Programme Steering Group. The Steering Group is responsible for ensuring that all project and programme work undertaken by the council is aligned only to the strategic priorities of the council. They will hold officers to account for delivery, approve project initiation, prioritisation and close down, and manage compliance.

We have set up a central Programme Management Office to ensure consistent, effective management of the various improvement and savings programmes. Our approach has built on best practice advice received from the NHS and local government as well as lessons learned reports from MHCLG and The Infrastructure and Projects Authority. Their 2019-20 Annual report emphasised the principles for project success to improve the delivery of major programmes. Critically the majority of these components are in the planning / set up phase. This is the phase that the Council is in with the majority of the Improvement Plan. Whilst we have outlined our approach here, we recognise that we will need to respond as the planning / set up phase continues.



Source: Infrastructure and Projects Authority: Annual Report on Major Projects 2019-20

Each action / project will be assigned to a Senior Accountable Officer, with an identified responsible officer supporting delivery and reporting. Our approach will be scalable and adaptable to ensure reporting is consistent across the organisation and corporate oversight of all projects and actions is achieved. Each action will have clear milestones, as well as detailed project plans where required. Each milestone will have clear deadlines and regular updates will be reported via the PMO.

The plans will require regular review to check that delivery is on track, that risks are reviewed and mitigated and any external factors that may affect delivery are taken into consideration. The PMO will provide timely challenge should milestones be delayed, working with the relevant project managers and senior accountable officers and cabinet members to keep projects on track. The PMO will work closely with Finance teams who will monitor the level of savings realised, and between them the PMO and Finance teams will report on the successes, issues, and risks of the savings programme to all relevant stakeholders.

The council's performance in relation to KPIs has been reviewed to ensure a culture of honesty and transparency, with development of a new suite of reports under way to provide clarity and accountability for Councillors, staff and residents. We are reinstating regular quarterly performance reporting. Changing the council's culture around performance management is a process that touches every part of the organisation. The leadership team is therefore closely involved in reinforcing the key cultural behaviours required. We are strengthening the reporting to the leadership team regarding any areas of concern around performance, risk and finance.

A cycle of planning, monitoring and reviewing KPIs has been established and all existing performance reports across the Children, Family & Education and Health Wellbeing & Adults departments are being reviewed to ensure we are reporting the right things at the right time.

We have designed a 'stress' report to scan for any changes over the next three years such as in demand, population demographics and health, using Acorn, a geodemographic segmentation tool detailing the UK's population at household level, to enable the council to anticipate them. We are also benchmarking against other London boroughs.

Monitoring

The delivery of the Improvement Plan will be monitored through the introduction of an independently chaired Board to hold the Council to account for delivery of the Croydon Renewal Improvement Plan.

Draft terms of reference and draft membership of the Croydon Renewal Improvement Board have been developed and are subject to consultation and engagement with MHCLG regarding their own assurance requirements.

In addition progress will be reported and overseen by Council Member led bodies: Scrutiny and Overview Committee, General Purposes and Audit Committee, Cabinet

and Full Council. The Board will provide an external layer of governance and accountability for the Council. It does not preclude or prevent Scrutiny & Overview or GPAC from fulfilling the duties as described in the Council Constitution. The Chairs of both committees are in attendance and the Board can refer matters to them and vice versa.

This programme of work will need dedicated resource and the Council will need to identify capacity and capability for this to succeed. Before any project is given approval a resource plan will be required as part of a project initiation document.

Key milestones

The Croydon Renewal Improvement Plan will continue to be updated as recommendations are received and additional actions / projects identified. MHCLG have set out expected milestones that the Council will need to achieve under the Improvement Plan. These have been incorporated into the Improvement Plan, but are summarised in the appendix for ease of reference, together with a brief outline of the Council's actions, timescales and links to the Improvement Plan.

Appendix: Croydon Renewal Improvement Plan: MHCLG Milestones

Theme	MHCLG Milestone	Croydon action	TIMESCALE	Improvement links
Assurance	<p>Improvement and Assurance Board established</p> <p>A Panel made up of 3/4 external advisers appointed by the Secretary of State, to include an expert on asset disposal, to challenge and provide advice on the Council's improvement journey. The Panel will also provide assurance to the SoS by means of quarterly reports over the next 3 years.</p> <p>This approach will link with the Council's own plans for an External Improvement Board.</p>	<p>We are currently consulting on an External Improvement Board. MHCLG will appoint independent external advisors. We will ensure that both receive regular updates against the Croydon Renewal Improvement Plan</p>	<p>January 2021</p>	<p>External Improvement Board: Terms of Reference</p>
Assurance	<p>A three-year recovery plan submitted to the Secretary of State</p> <p>With actions, milestones and accountabilities to restore the financial viability of the Council's revenue budget. In particular, the plan should include steps (some of which are indicated below) to address the current forecast deficits for future years</p>	<p>We have outlined our 3 year recovery plan within the submission to MHCLG seeking a capitalisation direction. This includes a full details of the budget proposals required to restore a sustainable balanced budget. Each proposal has clear project leads and delivery plans. Monitoring and reporting will be undertaken by the Croydon Renewal Programme Steering Group, via the Programme Management Office, with regular reports to MHCLG, External</p>	<p>December 2020</p>	<p>Capitalisation request</p> <p>MTFS - Finance Recovery Plan</p> <p>Cultural Transformation</p>

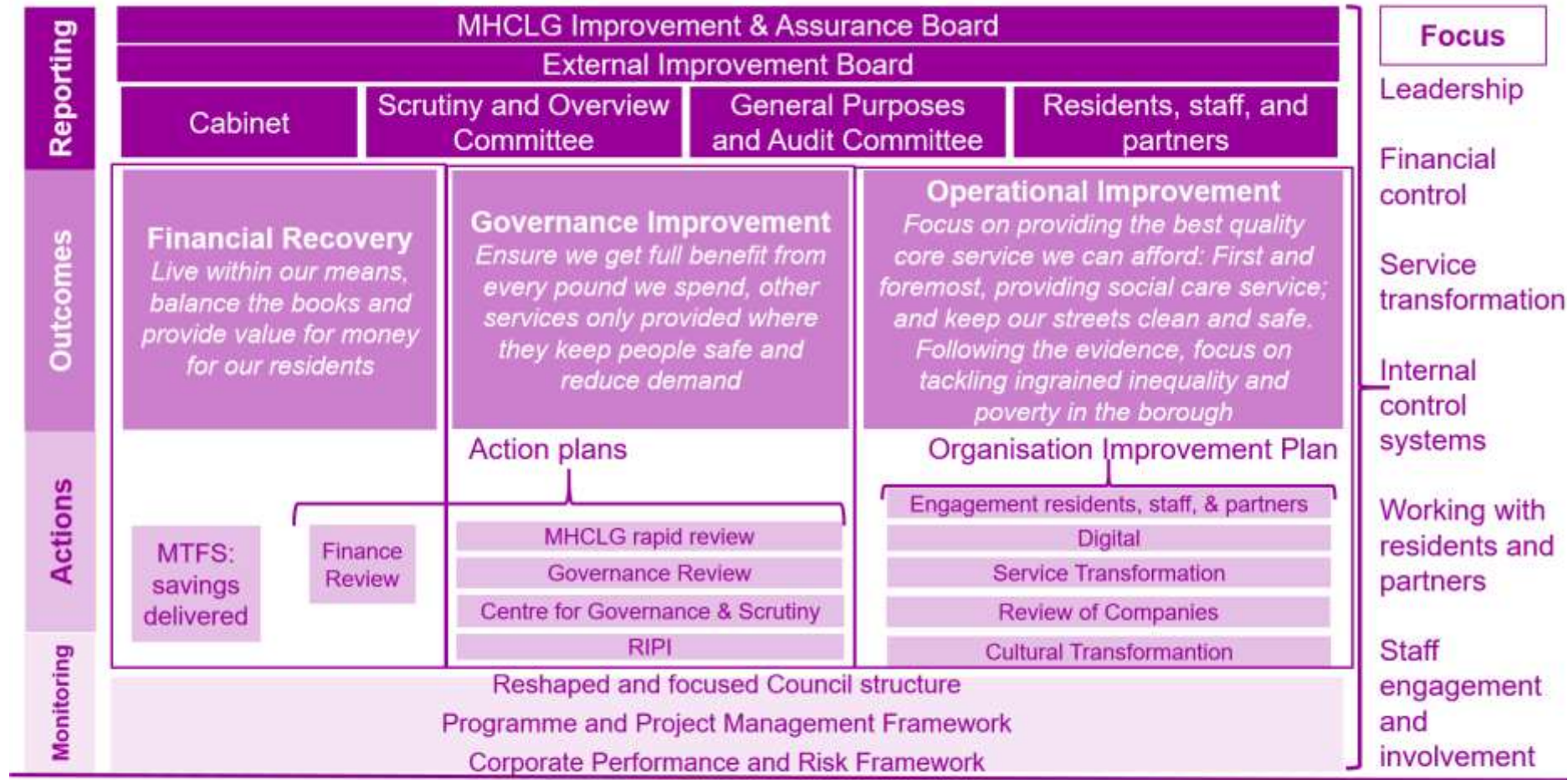
Theme	MHCLG Milestone	Croydon action	TIMESCALE	Improvement links
		Improvement Board, Cabinet, Council and Committees.		
Finance	<p>A robust three-year medium-term financial plan</p> <p>With actions to end the reliance on annual budget setting and a plan to restore financial resilience, including through long term cost reduction and building reserves.</p>	<p>We are developing a new Medium term Financial Strategy as part of the 2021/22 budget setting process. Budget proposals have been identified to restore a sustainable balanced budget over the 3 year period. Each proposal has clear project leads and delivery plans. Monitoring and reporting will be undertaken by the Croydon Renewal Programme Steering Group, via the Programme Management Office, with regular reports to MHCLG, External Improvement Board, Cabinet, Council and Committees.</p>	February 2021	<p>Medium term Financial Strategy</p> <p>MTFS - Finance Recovery Plan</p>
Finance	<p>A robust draft budget for 2021/22</p> <p>With a clearly identified funding gap/ask and evidence of significant measures (including milestones) to close that gap, including asset disposals. The Budget should be scrutinised by the Finance Review Panel</p>	<p>Draft budget proposals have been published and are subject to consultation between December 2020 and January 2021.</p>	February 2021	<p>Budget 2021/22</p> <p>MTFS - Finance Recovery Plan</p>
Finance	<p>A detailed savings plan</p> <p>Including a schedule of who is responsible for each identified saving, an implementation plan, and a description of the process the council</p>	<p>All savings proposals and projects will have lead officers appointed to manage implementation, with delivery plans, milestones and measures in place. Monitoring and reporting will be</p>	January 2021	<p>Budget 2021/22</p> <p>MTFS - Finance Recovery Plan</p>

Theme	MHCLG Milestone	Croydon action	TIMESCALE	Improvement links
	will put in place for generating further savings	undertaken by the Croydon Renewal Programme Steering Group, via the Programme Management Office, with regular reports to MHCLG, External Improvement Board, Cabinet, Council and Committees.		Programme Management Framework
Finance	A detailed asset disposal strategy Including a review of capital assets and a disposal plan. This will include a detailed plan to deliver a very significant increase in capital receipts, to fund existing schemes and to fund or co-fund a capitalisation Direction. It will also detail assets or commercial ventures which should be exited, owing to a lack of expertise or rationale for remaining involved. In both cases, the plans will need a clear timetable	A detailed review of Council assets has been undertaken and has informed a draft disposal strategy. This will be finalised and the Council agrees that asset disposal must be a key element of our financial recovery.	April 2021	Draft Asset Disposal Strategy
Finance	Clarity on “areas of risk” for 2020-21 budget Clear figures for each area of uncertainty which it has identified in connection with its estimation of the budget gap for 2020-21 even of those figures are simply an upper limit.	The Council has utilised external expert advisors to support our MTFS and budget development. This was to ensure that the Council fully identified all areas of risk and factored these in to our financial planning. This will be reflected in the budget and MTFS.	December 2020	Capitalisation request Medium term Financial Strategy MTFS - Finance Recovery Plan

Theme	MHCLG Milestone	Croydon action	TIMESCALE	Improvement links
Governance	<p>Timelines for organisational changes Including when key executive roles will be filled and more robust assurance processes put in place; timetables for the establishment of the improvement back office, strengthening of the Finance Team and recruitment of officers with commercial expertise.</p>	<p>The Council has commenced a consultation on changes to the senior management structure, which runs until the end of January 2021. This includes new roles to strengthen the Council's commercial expertise.</p> <p>Additional funding has been included in the budget proposals to strengthen the finance team.</p> <p>An Independent Finance Review was completed and the recommendations have been incorporated into the Improvement Plan.</p> <p>New project and programme management framework has been established, drawing on best practice, to provide regular reporting and assurance of delivery. This is supported by a corporate PMO.</p>	January 2021	<p>Senior restructure proposals</p> <p>Programme Management Framework</p> <p>Independent Finance Review – actions</p> <p>RIPI</p>
Commercial	<p>Plan to optimise commercial investments Including improved oversight of Brick by Brick; proposals and business cases for other assets; identification of assets which could yield capital receipts</p>	<p>The Council commissioned PwC to undertake a strategic assessment of the Council's company structures and investments, including Brick by Brick.</p> <p>Initial recommendations have been incorporated in to the Improvement</p>	April 2021	<p>Strategic review of the Council's companies</p> <p>Governance Review</p> <p>RIPI</p>

Theme	MHCLG Milestone	Croydon action	TIMESCALE	Improvement links
		Plan, with further work underway on future options.		
Services	Transformation of key services Including review of integrated social care IT system; review of eligibility criteria for adult social care	<p>Service transformation is a key element of the Croydon Renewal Improvement Plan. This includes substantial programmes of work within our high spend services such as social care</p> <p>Each project has clear project leads with delivery plans being developed. Monitoring and reporting will be undertaken by the Croydon Renewal Programme Steering Group, via the Programme Management Office, with regular reports to MHCLG, External Improvement Board, Cabinet, Council and Committees.</p>	June 2021	MTFS – Finance Recovery Plan Organisation Improvement Plan Children’s Improvement Plan Adult Social Care Improvement Plan

Appendix: Croydon Renewal Improvement Plan



Croydon Renewal Improvement Plan

Croydon Renewal Improvement Plan

Outcomes

Key Results

Financially resilient

- In receipt of MHCLG capital direction
- Delivered a balanced budget
- Contributing to reserves
- Effective monthly budget monitoring
- Finance department has no capacity or capability issues
- Financial management training regularly provided and support available for colleagues, especially budget holders

In control of activity

- Systems, process and controls are fit for purpose
- Oversight of compliance
- All work aligned to Corporate priorities (only)
- Effective corporate centre with holistic view
- Clear, defined, corporate priorities that do not fluctuate
- No local measures that replace agreed processes
- Clear criteria & approvals to start/stop new work
- Poor performance or on-compliance managed effectively

Great Leadership

- Functional Member/Officer relationship
- Accessible leaders who model good corporate behaviours
- Transparent leadership that inspires trust
- Collaboration with colleagues, partners and residents
- Leadership with positive impact
- Courageous, evidenced based decision making

Motivated workforce

- Good staff survey results
- High retention rate
- Large number of applications per vacancy
- Staff recognise a fair and diverse workplace
- High numbers of "exceeds expectation" performance ratings
- Significant engagement with communications
- Staff are, and feel, listened to and able to contribute to the strategic direction of the council

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